

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

IN RE:  QWEST CORPORATION, f/k/a U S WEST COMMUNICATIONS, INC.	DOCKET NO. TF-00-250 (RPU-98-4)
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**ORDER DOCKETING TARIFF AND SETTING BRIEFING SCHEDULE**

(Issued October 27, 2000)

On October 3, 2000, Qwest Corporation, f/k/a U S WEST Communications, Inc. (Qwest), filed a proposed tariff with the Utilities Board (Board) designed to reduce certain rates to comply with Qwest's price regulation plan. The proposed rates to be reduced are primarily local exchange business lines in rate group three and certain rates in rate group two. The rate reduction reflects a 0.97 percent overall decrease in Qwest rates. The tariff filing has been identified as Docket No. TF-00-250.

On October 8, 1999, Qwest filed its calculation as required by the price plan, using the Gross Domestic Product Price Index (GDPPI) Table 7.1 for Quarter II price indexes from 1998 and 1999. The calculation resulted in a decrease of 1.41 percent, which was amended on November 8, 1999, to a decrease of 1.21 percent. The 1.21 percent decrease was deferred for one year as allowed by the price plan. The decrease was then recalculated to 0.97 percent in this filing to reflect an updating of

the Quarter II 1999 index. Qwest states that the decrease is designed to go into effect on November 7, 2000.

On October 11, 2000, the Consumer Advocate Division of the Department of Justice (Consumer Advocate) filed an objection to the tariff requesting the Board order Qwest to utilize the 1.41 percent decrease or to docket the matter for an expedited resolution. Consumer Advocate contends that the proposed tariff does not comply with the terms of the price regulation plan approved by the Board on September 28, 1998, that requires Qwest to reduce basic communications services (BCS) prices "in a percentage amount equal to the amount that the productivity offset exceeds the annual rate of inflation." Consumer Advocate contends that the proposed tariff violates the price plan by only reducing certain BCS rates and by recalculating the decrease based upon the updated GDPPI for Quarter II 1999.

Consumer Advocate requests that the Board order Qwest to implement a 1.41 percent reduction on November 7, 2000, or in the alternative to docket the proposed tariffs for investigation on an expedited basis. Consumer Advocate requests further that the Board order Qwest to implement the 1.41 percent across-the-board decrease pending the outcome of a proceeding that extends beyond November 7, 2000.

On October 23, 2000, WorldCom, Inc. (WorldCom), filed an objection to the proposed tariff. WorldCom states that it supports Consumer Advocate and requests

that the Board reject the proposed tariff as not being in compliance with the price regulation plan. WorldCom will be made a party to this proceeding.

Iowa Code § 476.5 requires Board approval before a new rate or charge of a rate-regulated utility is effective and the docketing of the case for a formal proceeding suspends the effective date of the new rates. The Board finds that the proposed tariff should be docketed and an expedited briefing schedule set. It appears that the issues raised by Consumer Advocate and WorldCom regarding the proposed tariffs are legal issues that involve the interpretation of the price regulation plan. The Board is aware of no factual issues in dispute. The parties must notify the Board if they believe there are fact issues requiring a hearing.

The Board must determine the meaning of Paragraph III, D and E of the price regulation plan and the provisions of Iowa Code §§ 476.97(3)"a"(5) and (6). The subsections in the plan state:

D.1. Price Increases. The inflation rate shall be the annual percentage change (the value of the index in the most recent quarter divided by the value of the index for that quarter in the previous year minus one) in the Gross Domestic Product Price Index (GDPPI) constructed using chain-type annual weights as published in the most recently available monthly edition of the U.S. Department of Commerce's Survey of Current Business, Table 7.1.

E. Price Decreases. U S West can decrease any BCS price to any lawful price, upon a showing that the requirements of IAC 38.5(4) are met. Any such decrease may be accumulated and used to offset a decrease or portion thereof required during the following 12-months.

U S West shall decrease its BCS price in a percentage amount equal to the amount that the Productivity offset exceeds the annual rate of inflation (determined in accord with D. above) on an anniversary date of the effective date of this plan. If the required decrease is less than 2%, the reduction may be deferred for one year. Any required price decrease can be offset by a price increase, which would have been permitted during the preceding 12-months.

These subsections of the Qwest plan reflect the provisions of Iowa Code § 476.97(3)"a"(5), which establishes the productivity factor of 2.6 percent and requires the use of the GDPPI for the inflation measure. Iowa Code § 476.97(3)"a"(6) provides that price decreases of less than 2 percent may be deferred for one year.

The briefing schedule is designed to allow the Board to issue an order so that the rate decreases can be implemented as soon as possible after November 7, 2000. A decrease is due Qwest customers, regardless of which calculation is correct, and the Board will expeditiously address this issue to permit only a limited delay in that decrease.

**IT IS THEREFORE ORDERED:**

1. On or before November 3, 2000, the parties shall file one round of simultaneous briefs that address two issues involving the interpretation of the price regulation plan and Iowa Code §§ 476.97(3)"a"(5) and (6). The two issues to be briefed are:

- Should the rate decrease percentage be based on the GDPPI for Quarter II 1999 as published prior to the initial filing on October 8, 1999, or as published prior to the October 3, 2000, filing?
- Must the rate decrease be across-the-board or may it be applied to selected basic communications services rates?

2. WorldCom, Inc., is a party to this proceeding.

**UTILITIES BOARD**

/s/ Allan T. Thoms

/s/ Susan J. Frye

ATTEST:

/s/ Raymond K. Vawter, Jr.  
Executive Secretary

/s/ Diane Munns

Dated at Des Moines, Iowa, this 27<sup>th</sup> day of October, 2000.